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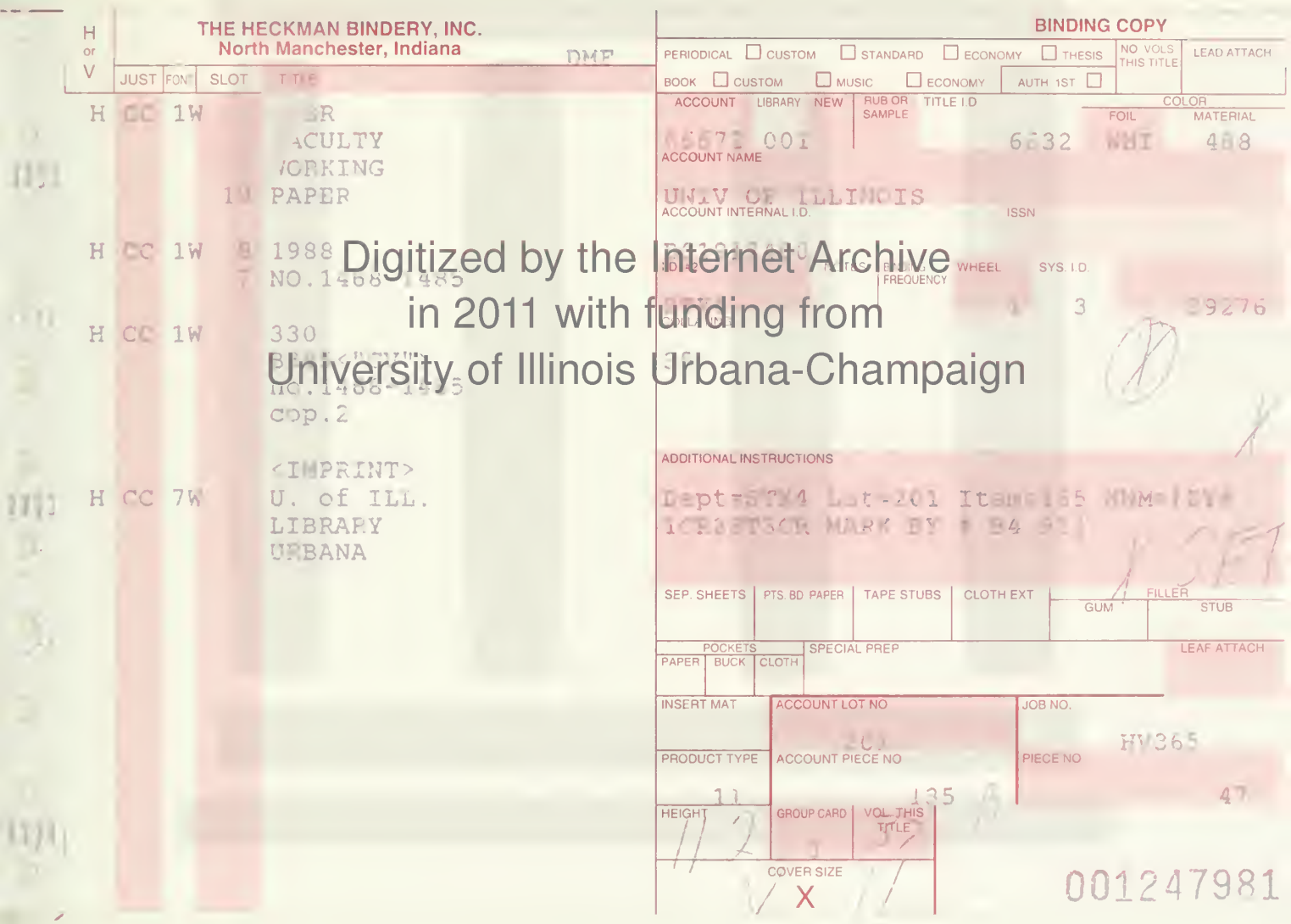
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Multinational Human Resources Management: A Case Study

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Multinational Human Resource Management: A Case Study

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Abstract

This paper reports on the human resource management practices of three Asian subsidiaries of a U.S.-based multinational enterprise. This company proudly proclaims that "each time we establish an overseas subsidiary, we transplant our personnel policies." This invites questions regarding exportability of American managerial principles and practices. This paper evaluates the conditions of subsidiary management regarding the quality of general managers, management structure, internal labor market, and employee welfare. It is found that "our" personnel policies are not products of arrogant ethnocentricism but born of strategic interactions with host-country conditions with good results of excellent productivity and harmonious employee relations.

Multinational Human Resource Management: A Case Study

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Multinational enterprise (MNE) is a controversial system of business, subject to many criticisms, ethical, legal, political, social, economic. The aggregate of MNEs in the world amounts to a new world order which as a system of global governance competes with the existing international community of nation-states. For this reason, MNEs as harbingers of a new world daily confront oppositions of conservative political forces and ideologies committed to the preservation of the increasingly hollow "sovereignty" of the nation-state.

In the host countries, MNEs are at best tolerated: open hostility is more common. Even the "good things" MNEs do (higher wages and better working conditions than the national norms) can be faulted on grounds of structural distortions (for a review of the literature, see Caves 1982). In their home countries, MNEs enjoy no shortage of critics. In recent years, issues related to business ethics and social responsibility have become principal battle grounds between MNEs and critics. Being profitable or viable is not enough. How the profits are made is equally important and the general public is sensitive to the difference between "honest profits" and unethical profiteering.

In the United States, in recent years, corporations have been trying to be both profitable and respectable by paying attention to social responsibility of business, management style, and the code of

conduct (Tavis 1982, Lewin 1983). The enterprise culture and company philosophy are also important dimensions of business strategy in a number of "excellent companies" (Ouchi 1981, Peters and Waterman 1982, Salamans 1983).

MNEs may find their home countries' legal and ethical constraints too demanding. Some of them, when they advance into less developed countries (LDCs), take advantage of the relatively weak constraints on business behavior and operate at lower standards of discipline and social responsibility. In the long run, however, coherent standards of behavior regardless of location are the best corporate strategy. Ironically, in human resource management, integrity of business behavior raises the question of how transferable or exportable the home-country principles and techniques are to host countries, especially to host LDCs.

Economic analysis of this question turns on the simple labor market reality that the qualified workers who can perform at high productivity in response to the expensive standards of advanced human resource management are not in plentiful supply (Standing and Taira 1973). Foreign companies, scrambling for the meager supply of suitable workers, may "crowd out" national firms from the high-quality labor market. The results is a socioeconomic dualism consisting of "labor aristocracy" concentrated in well-known foreign companies and low-wage "proletariat" in numerous small-scale national firms. This is not a pretty picture. It is an outrage to nationalists.

On the other hand, the host-country public wants neither a second-rate technology nor a double standard of management from MNEs.

It then appears that far from being an undesirable structural distortion, the socioeconomic dualism is only an index of the gap between aspirations and realities of the host LDCs themselves. Under these circumstances, it is prudent for MNEs to maximize profits subject to the host-country aspirations; that is, by behaving as high-standard responsible corporate citizens, rather than adapting to and exploiting the less demanding economic and social constraints of the host countries.

Introspection or speculation alone would not shed much light on corporate behavior under these vexing contradictions. One must look into what MNEs are actually doing in various countries. A U.S.-based MNE, code-named "This Company" in this paper, recently offered us the opportunity to observe the operations of its Asian subsidiaries, code-named "TC Indonesia," "TC Philippines," and "TC Japan." We visited This Company's headquarters and Asian subsidiaries in the summers of 1980 and 1982.

At each subsidiary, we interviewed the general manager, personnel manager, manufacturing manager, and samples of other managers and non-managerial employees. We were also allowed some access to internal documents in relation to human resource management. In addition, there were rich supplies of company publications, public relations materials, and reports on This Company in local newspapers and magazines. At government bureaus, research institutes, and other firms which we visited for a concurrent research project, we ascertained the reputation of This Company. The interview notes and varieties of confidential as well as published materials acquired

along the way form the basis of the description and analysis of This Company's human resource management in this paper. The analytical inspirations for the interpretation and evaluation of This Company's practices come from theories of personnel administration and "internal labor market" (Kannappan 1977, 1983, Taira 1977, Foulkes 1980, Hansen 1983).

1. This Company and Its Management Philosophy

This Company began in 1886. In 1914, its first overseas subsidiary was opened in the United Kingdom. In 1917, the employee profit sharing plan, a hallmark of This Company's employee policy, was inaugurated. In 1922, the Mutual Benefit Association (MBA) of This Company's employees was organized. It has kept This Company non-union to this day. In the midst of the Great Depression of the 1930s, another innovation in employee relations came into being: a no-layoff policy. With no need for continued production under slack demand and mounting inventories, the production personnel were transferred to sales work. (Thus, already in the 1930s, This Company had what the Japanese might have called "three divine treasures:" (1) profit sharing, (2) no layoff, and (3) MBA, as if to anticipate postwar Japan's nenkō wages (with bonuses), lifetime employment, and enterprise unionism.) All this while, This Company's international operations continued unabated, greatly accelerating after the Second World War. Its Asian subsidiaries in the Philippines, Japan and Indonesia were established in 1957, 1962, and 1970 respectively. At present, TC Philippines and TC Japan are fully TC-owned. TC Indonesia

is a joint venture with a minority share held by an Indonesian who serves as general manager. (TC Japan was initially a joint venture but transformed into full TC ownership in 1965.)

The parent of This Company in the U.S.A. is a privately held corporation, and rather publicity-shy. While it appears to be well qualified for a citation as an "excellent company" à la Peters and Waterman, it is not included in their book (1982). In 1980, This Company had subsidiaries in more than 40 countries of the world and generated 58% of its total sales outside the U.S.A. Its worldwide employment was about 13,000 persons. Its quadrennial Global Conference is a colorful event attended by more than 200 delegates from all over the world. The 1980 Global Conference of This Company was held in Japan.

The Creed of This Company is a 1500-word document under five headings corresponding to the points just mentioned above. Under the first heading, the Creed declares: "We believe that the fundamental vitality and strength of our company lies in our people." This said, This Company then makes a number of commitments for its employees; for example, "open two-way communications between management and employees," retention of "the permanent employees, if at all possible, as economic conditions fluctuate," "a long term policy of planned orderly growth," non-discriminatory hiring and promotions, recognition of merit, pay and benefit programs fully competitive with those prevailing in the market, industrial safety and health services, education and training opportunities, programs for self-development, income security for the retirees, and many more. The other beliefs and

commitments are about close touch with consumer wants and needs, high quality products which are environmentally sound and safe to users, ethical standards in business practice, allocation of a share of the profits to the surrounding communities, constructive corporate citizenship, and contributions to international understanding. This Company regularly devotes 5% of gross profits to cultural, charitable, and community-relations programs. The web of economic, social, and emotional relations that has developed between employees and company and among employees themselves makes This Company a primary community for its people, who relate to society at large as members of This Company.

With confidence in the universality of This Company's values, the then International Division Vice-president forcefully stated in 1961: "Each time we establish an oveseas subsidiary, we transplant our personnel policies. We believe people are people, regardless of the tongue they speak. Like United States citizens, the people in other countries want to increase their standard of living..." (This Company 1961: p. 56). When read out of context as a statement made by an American company, it might sound like an example of American imperialism. Whether personnel policies developed in one country can be transplanted in another has been a widely debated topic among management and industrial relations specialists. This Company's experience suggests that properly handled, the transfer of personnel policies and practices as well as of company philosophy, management style, and business methods is feasible with beneficial results for the host country.

2. General Managers and Subsidiaries

The factor that facilitates the implementation of This Company's Creed in its overseas subsidiaries is the policy of indigenization of the subsidiary management. The indigenization of personnel and a maximum degree of local contents in production are promised in the Creed. The general manager, recruited from among the host-country nationals, is given considerable autonomy, as well as full accountability, for running his charge. The recruitment of the right type of general manager is therefore very important for This Company. Each Asian general manager we have met is a success story for This Company's personnel policy. For its American units, This Company puts new professional or managerial recruits through a series of personality and psychological tests to ascertain their compatibility with its enterprise culture. With respect to subsidiary managers, international cultural differences apparently demand different approaches to the discovery of the right persons; that is, more circumspect and indirect methods of search.

The Japanese general manager (who under the Japanese law is called president or chairman) was already on his way up to the board membership of a large foreign company in Japan when he was approached by This Company. He admits that the Creed of This Company made the difference in his decision to move. In an interview with the Nikkei Business some years later, the Japanese general manager said that he was urged by the president of This Company in these words: "Manage this company [the Japanese subsidiary] as you wish, but with only one condition ... [You must] build a model enterprise for Japan."

(Translated and supplied by TC Japan; italics supplied.) The Japanese general manager was profoundly moved and felt that he found not only a job, but also a mission, a calling, for the good of Japan.

The general manager of TC Philippines also joined This Company for its Creed. He, too, was on a secure track in an MNE many times larger than This Company. He was managing a Spanish subsidiary of that MNE when This Company approached him. By coincidence, for personal and family reasons, he was thinking of returning to the Philippines. He was impressed with This Company's Creed. In an interview with HR Magazine (Hongkong), the general manager of TC Philippines called attention to the Creed and said: "He who does not believe in [or] would not abide by our fundamental corporate philosophy has no business working with us." The enthusiastic "oneness" (the magazine's word) that managers and employees feel with This Company is one of the company's most basic strengths.

The Philippine general manager is also a philosopher. His inter-cultural comparison of values produces the Philippine counterpart of what This Company upholds. In his speech at the inauguration of the new building of TC Philippines in 1981, the general manager invoked two indigenous value-concepts: pakikisama and malasakit. (These concepts are also regarded central to the analysis of the Philippine culture's impact on management: Jokano 1982.) Pakikisama is "working together, taking into account each other's needs." Malasakit means "caring, doing things because you feel that this is your company." Compatibility of values across different cultures makes the transfer of management techniques feasible. The essential agent for the

transfer is a person like the general manager of TC Philippines who can correctly link analogous elements of different cultures together. Apparently, however, people with such inter-cultural mediatory ability, together with ability to manage business, are not in plentiful supply.

The general manager of TC Indonesia, a graduate of the Harvard Business School and a wealthy high-status person in Indonesia, independently discovered the extraordinary quality of This Company and approached it for a joint venture in Indonesia. The elevated status of the general manager of TC Indonesia in the leading circles of Indonesian society has obviously resulted in a highly traditional style of relationship between him and his employees. His employees appear to be awe-struck in his presence. The culturally endowed charisma of the general manager implies authority as well as benevolence toward his subordinates. This traditional relationship of authority and awe, accompanied by the reciprocity of benevolence and reverence, may still be serviceable for building an efficient organization.

How culture constrains thought and action may be illustrated by two kinds of "We," kami and kita in Indonesian (Hassan 1975). The kita-mode of "We" arises when "you and I" are together alone, sharing common blessings, with no third party, especially a hostile third party, present or to be aware of. The kami-mode of "We" comes into being as soon as such a third party appears, in which case "you and I" band together against the actual or potential external threat. Naturally, the solemn but cozy company song praising the company and the father (bapak) of employees is sung in the "kita" mode.

The Indonesian general manager then is in a delicate position. He has to reconcile the modern egalitarian Creed of This Company, which he personally espouses, with the Indonesian ethos of hierarchical social relationships which ascribes an entirely different role to him. Although in Japan and the Philippines, the general manager is frequently seen socializing with all levels of employees in an integrated company canteen, a similar scene would be unimaginable in TC Indonesia. In Indonesia, groups are segregated by rank. To the question how he would change people of such cultural backgrounds into modern industrial workers, he answered by emphasizing the need for time and patience.

3. "No Layoff" and Other Welfare Aspects of This Company

How to hire and manage the subsidiary personnel is left entirely to the general manager. "No layoff" is an imperative. The best way to implement it is to hire at the outset the right kind of employee who would safely preclude the question of retention or layoff later. "No layoff" is also a characteristic of the Japanese employment system. But there are considerable differences in practice between This Company and the Japanese employment system. The Japanese system emphasizes recruitment from school or college at the entry level of work and uses "retirement" rather flexibly so that the employee does not overstay his usefulness to the employer.

At This Company, hiring can be done for any level of work, and in principle, as a way of filling a vacancy, promotion from within must compete fairly with hiring from outside. This Company's emphasis is

on "equal opportunities in employment and advancement," which must be ensured by "hiring and promoting employees without discrimination, using qualifications, performance and experience as the principal criteria" (The Creed). But once hired and made "permanent," the employee can count on This Company's "no layoff" policy, although he or she is free to quit for a better opportunity elsewhere. The retirement age is "ethically" determined for welfare considerations; 65 even at TC Japan. This is extraordinary: in Japanese companies, the timing for retirement is "economically" determined, and retirement usually means unemployment and search for a new job.

It is of interest to note that This Company has cosmopolitanized its personnel throughout the world in parallel to the indigenization of subsidiary managements. For a company to be truly "multinational," a "geocentric" (globalistic as against nationalistic) orientation is desirable (Perlmutter 1969). Although there is no conscious geocentric orientation at This Company yet, transfers, service tours, conferences, and other forms of mobility among managerial personnel throughout the worldwide organization of This Company are intense. The general manager of TC Japan, who is a Japanese national, doubles as vice-president at the parent company. Several Philippine managers have come through TC Philippines to serve in various capacities in the worldwide organization of This Company; for example, the Asian regional director for industrial chemicals, the market development manager for the Americas, the general manager of TC Singapore, the financial manager of TC Indonesia, an industrial chemicals manager at the parent company.

But his human resource strategy contradicts another dearly held principle--indigenization. Thus there is the problem of reconciling the organizational desirability of international mobility of its managers with host-country interests in indigenous human resource development. There are two kinds of internal labor market. One is internal to the worldwide organization of This Company and applies to the mobility and deployment of managerial, professional and technical personnel. Another internal labor market is specific to a national subsidiary of This Company and no different from the usual type of internal labor market as discussed in labor economics.

At the level of the subsidiary, despite socio-cultural differences among the TC subsidiaries, roughly uniform methods of job evaluation and pay determination are used in all of them. In addition, the method of profit sharing is strictly uniform throughout This Company. The job evaluation yields a number of job grades, each grade containing a number of related or unrelated jobs (for example, mail clerk and production worker I are evaluated to be equivalent and slotted in one job grade, while stock clerk and production worker II are equivalent and slotted into another, higher grade). If job grades classify jobs horizontally, job categories compartmentalize them vertically. Job categories are about the same as divisions or sections of the firm. A line of promotion runs vertically within a job category, moving up from a lower to a higher job grade. Job grades can be used as pay grades. Each pay grade has several steps of pay to allow for pay differentials within a given job; that is, to reward different degrees of experience, proficiency, performance, diligence, etc. Pay

scales in monetary amounts are formed with the help of a survey of prevailing wages for various jobs in the relevant labor markets. For such surveys, consultants or research firms may be employed. This Company everywhere endeavors to set its pay rates above prevailing rates, as its Creed promises. This high-wage policy reduces the employee temptation to look for a job elsewhere. In all the Asian subsidiaries, automatic cost-of-living adjustments (COLA) are made every year.

What is important is to make sure that workers are assigned to the right kinds of jobs and that their earnings are perceived by them as fair. For this purpose, This Company encourages its subsidiaries to undertake a periodic employee opinion survey. TC Japan has been doing it every two years. TC Philippines did it in 1979 and 1980 and the results are said to have been rather shocking to some managers. TC Indonesia has not done the survey yet, perhaps for this reason. At TC Philippines, managers obviously had formed certain expectations about the results of the survey; for example, they might have thought that workers would give a strong approval to management. Instead, the managers faced the survey results which were less than enthusiastic, though varying from section to section. A manager who drew a critical rating from his employees even wanted to hunt down and dismiss those "ungrateful rascals." In other words, the employee opinion survey ironically created a potential crisis for management. However, the parent company anticipated these problems and had in store several sets of interpretation and language to use for peaceful and constructive employee communications.

A standing morale booster of This Company is its profit sharing scheme. The scheme works this way. First of all, there is the concept of "individual standard profit share," which is expressed as a percentage of the individual's basic wages or salaries. This concept is for facilitating the calculation of the pool of profits to be prepared for distribution to individual employees. The percentage varies as a composite function of (1) length of service and (2) nature of the job (grouped in four categories like non-supervisory employees, unit supervisors, section managers, and department heads). To illustrate, the table of standard profit shares shows 6.5% of annual compensation as the standard share for a first-year non-supervisory employee and 20% for the same category of worker with 10 or more years of service. The first-year department head's standard share amounts to 8% of his pay, which rises to 25% when he stays with This Company for 10 or more years. The individual percentages of this kind, when applied to individual wages and salaries and summed up over all the individuals, yield the amount of money needed for giving the standard profit shares to all employees. When profits to share actually equal this standard amount, each employee receives 100% of his or her stipulated standard profit share. At TC Indonesia and TC Philippines, shared profits amounted to 200% of the standard share for several years. The portion of profits distributed to employees in this way is fixed at 25% of net profits before tax after an allowance for the share of capital as some percent of equity. Given taxes and the share of capital, the larger the profits, the larger the employee share of profits. To the extent to which the profits depend upon the aggregate

employee performance, an employee's greater efforts for the company translate directly into a higher income through a larger profit share.

Working together can be a basis for living together if appropriate efforts are made for integrating work and life into a comprehensive community. At This Company, the required efforts continue by means of a Mutual Benefit Association (MBA). The MBA is a joint enterprise of This Company and its employees. Employees as MBA members pay dues (0.5% of base pay at TC Japan) and the company matches by a contribution twice as much as the membership dues. TC Japan's MBA is managed by a 7-person board of directors, five popularly elected by the membership and two nominated by the company. The term of office of directors is one year, but the two highest vote getters serve two years to ensure continuity of programs and activities. The MBA aims at the moral and cultural uplift of its members in the spirit of mutual assistance. For this purpose, the MBA undertakes a number of activities and manages a variety of programs. Among the programs there are loans, group insurances, varieties of benefits on occasions of birth, death, marriage, sickness, going to school, etc., annual recreational trips, volunteer welfare work in the local community, participation in local cultural programs, and so on. All kinds of activities also go on all the time: sports, parties, circles, picnics, etc. There are also international inter-MBA contests in sports and performing arts, which make additional contributions to the cultural enrichment of TC employees throughout the world.

4. Production Workers

This Company is a manufacturing company, but due to the fiercely competitive nature of its product markets, its manufacturing division is vastly outweighed by sales, marketing, R&D, finance, and other supportive activities. In 1982, at TC Japan, only 150 (including 20 or so part-timers) of 570 employees were manufacturing workers; at TC Philippines, 48 out of 188; and at TC Indonesia, 31 out of 130. This Company manages a great variety of brand products, and their product life cycles are generally short. Therefore, manufacturing has to be flexible in responding to constantly shifting market opportunities. The required degree of flexibility under the "dictatorship" of the market interpreted by the marketing people of This Company, often upsets the production schedules at short notice and irritates the production workers. The waste of chemical mixes due to a schedule change is said to be non-negligible.

Wherever one turns in This Company, one is impressed with an enormous elaboration of organization, rules, and procedures. At TC Japan, 60% of employees expressed an opinion that This Company had too many unnecessary rules and 75% felt that the enforcement of the rules varied by workplace (Journal 1982). Interestingly at TC Philippines, which seemed as "overmanaged" as TC Japan, the employee opinion survey turned up a strongly favorable view of administrative efficiency (Journal 1980).

To illustrate, at TC Philippines, the general manager commands several department managers in charge of functions like administrative services (including personnel), finance, marketing I, marketing II

(consumer and industrial chemicals respectively), materials and product development, manufacturing, and quality control (including R&D). The general manager and these first level managers constitute a top management committee. Under each department manager, there are unit managers, each followed by supervisors, each of whom in turn commands foremen and their charges. Engineers, planners, and technical personnel are attached to various levels of the functional hierarchy. In the manufacturing department, under the manufacturing manager, there are a production planner, an industrial engineer (who was assisted by a production technician), and a production supervisor who directs the entire factory operations. Under the production supervisor there are three foremen (section I, section II, and maintenance). He also has his own clerk, and a staff person with the title of pollution control technician. Under each production foreman, there are two "leadmen" (leaders), each leading six or seven production workers. The maintenance foreman has a few mechanics directly under him, with no "leadman" in between. From time to time, titles like standby "leadman," line chief, etc. are created for senior production workers. Then there are two ranks for production workers: production worker I and production worker II. Thus, one can say that TC Philippines is a relatively tall organization with many ranks and levels of positions.

The internal labor market is highly segmented in the Asian subsidiaries of This Company. Education divides the whole personnel into two layers: supervisor and above, and below supervisor. Supervisors and managers belong to fairly fluid managerial markets. The minimum

qualification for them is a college degree. Employees below supervisor are segmented by department and each major department is the relevant internal labor market for ordinary workers. Inter-departmental mobility occurs to a limited extent, however, when two or more departments are born of the cell division of a department; for example, the manufacturing department and the materials and product development department which until very recently were in one department under the manufacturing manager. A man might be hired as a production worker, but in time might be found more useful as a materials purchaser. While doing this, he might take interest in selling the products of This Company. He might then move to a sales section. In the market, he might find the products of other companies more interesting and profitable to sell. Thus he might terminate his career at This Company and move to another firm. On the whole, however, inter-departmental mobility the way illustrated above is not frequent among production workers. The mobility of sales employees is higher, internally and externally.

At TC Philippines and TC Indonesia, the segmentation of the internal labor market also occurs due to ethnic differences. Men of Chinese ancestry excell in sales, while women from this ethnic group make excellent office employees and administrators. Educated persons are also relatively plentiful among ethnic Chinese. In contrast, blue-collar workers are predominantly indigenous, often fresh out of the countryside.

At TC Philippines, the no-layoff policy and moderate labor turnover have produced what might be likened to the Japanese-style nenkō

(seniority-based) structure of jobs and wages. The production workers are promotable through the foreman level; beyond that, a college degree is essential. (But if one had a college degree, one would not think of taking an ordinary production job.) About a third of TC Philippines' production workers had finished high school, while the rest had 10 or fewer years of education. TC Philippines uses the relatively large pool of casual and contract workers as a recruiting base for permanent workers by constantly keeping an eye on them for deserving qualities for the upgrading. The permanent production workers are regularly moved from job to job every three months. Experience is recognized, and so the length of service, job grades and earnings tend to be correlated. The production workers start with the simplest tasks like bottling and labelling; learn other kinds of production work by job rotation; gain knowledge of how to prepare materials and chemical mixes for the variety of products the company produces (workers then are called "product makers"); acquire social skills useful for group leadership and some more technical knowledge about problem solving and quality inspection. The first quantum jump in the employment status occurs when a production worker is made a "leadman." After that, the next promotion is to foreman.

In Indonesia, factory work is new to many workers, who are still struggling to acquire modern life's basic requisites like regular attendance, punctuality, division of work coupled with team work, job-related communication, safety precautions, and many other habits and attitudes that make a person compatible with the machine-directed pace of life. At TC Indonesia, the general manager as mentioned earlier

had for some time known of the problems arising from the cultural gap between traditional mentality and modern economic enterprise.

In 1982, he and his newly recruited manufacturing manager initiated a "KPP Program" to improve worker performance. On the one hand, KPP is an acronym from Kemajuan Perusahan dan Pegawai (Company and Employee Improvement). On the other hand, it coincides with the three areas of concern that the KPP program seeks to improve: Kehadiren (attendance), Pribadi (personality), and Pekerjaan (performance). With respect to each area, worker performance is evaluated on a scale of 1 to 4 (worst to best). Attendance is evaluated with respect to sick leave, absenteeism and punctuality. Perfect, punctual attendance without a day missed for sickness or other reasons for a month is rated 4. Five or more days missed are rated 1. The second major area of concern, personality, is broken down into 7 aspects: leadership, creativity and systematic thinking, discipline, manners, appearances, cooperative attitude, and ability to perform. (The leadership aspect does not apply to ordinary workers, however.) The third area, performance, is defined differently for different workplaces or activities such as production, maintenance, raw materials warehouse, finished good warehouse, janitor or minibus driver. Aspects relevant to the production workers are (1) product quality, (2) production target, (3) yield, (4) team efficiency or efficiency per hour, (5) cleanliness, (6) safety, and (7) administrative ability. Ordinary workers are exempt from (7), and product makers from (4) and (7). Workers covered are evaluated every day, which implies that the

supervisory work is vastly intensified. Monthly rotations among jobs are also introduced.

Awards are given to best performers. The KPP program obviously generated enthusiasm for good performance and a heightened sense of competition among workers and supervisors. The attendance rate was raised from below 90% of the work force to about 95%. Late reporting was eliminated. The workplace became cleaner and tidier. The manners of the people improved. Greetings like "good morning" were heard more frequently among workers. The motivation for problem solving was stimulated. Management also changed. It now offered more training, general and specific, to workers to improve their understanding of the company's business and factory processes. Encouraged by the results of the first months of the KPP Program, the general manager began to devise a new method of performance review and merit recognition to cover senior managers and office personnel.

While TC Indonesia was buckling down with the basics, TC Philippines was experimenting on Japanese-style quality control circles. At TC Japan itself, all the well-known Japanese methods to raise the performance level were in practice. The effect of any stimulus atrophies, however. A new measure must be put in place as the existing measure begins to lose its effectiveness. This may involve what may be considered sloganeering. But the Japanese are generally good at the use of slogans for real effects. A recent example of sloganeering which saved TC Japan an enormous sum of money was the "Tell the Chairman" movement about anything anyone thought up as useful for saving costs.

5. This Company and Trade Unionism

Only a brief comment is needed on something This Company does not have. There are no trade unions in the parent or Asian subsidiaries of This Company. But how to remain non-union in a legal environment which in principle encourages unionism means a continuing contest with hypothetical gains that workers assume unionism could deliver to them. In any country there are companies which have chosen to go cheap on employment relations and therefore are prepared to do battles with unions from time to time as disputes arise as consequences of the chosen, careless employment policies. This Company has chosen another kind of tradeoff: relentless, but costly efforts to maintain good employee relations so that all causes of conflict are safely eliminated.

One of the structural strengths of This Company's Asian subsidiaries is their smallness in terms of employment. The largest among them is TC Japan. But, with its fewer than 600 employees, it could easily blend into the multitudes of medium-sized enterprises of Japan. Size of employment is an important structural variable which correlates with worker dissatisfaction and industrial conflict. The general manager of TC Japan once observed to us that 600 employees would perhaps be the outer limits of "face-to-face relationships" that he could personally manage to maintain. Beyond that, industrial peace would be difficult to maintain and a different organizational strategy would be needed. This was mentioned to us long before Peters and Waterman wrote: "Regardless of industry, it seems that more than 500 or so people under one roof causes substantial and unanticipated

problems. More significant, even for the cost-oriented companies, small is not only more innovative but also more productive." (p. 275).

Neither TC Philippines nor TC Indonesia needs worry about size-induced industrial unrest. At this level, another empirical tendency of management apparently exists. The personnel manager of TC Philippines, serving in this company since its establishment in 1957, observed that up to 150 employees a firm could do without a specialized personnel office but that one would be needed where employment became larger. TC Philippines with employment pushing toward 200 has already built up a strong and innovative personnel office under this manager. TC Indonesia, with fewer employees, can do without a personnel office for several more years. Currently, the treasurer doubles as a part-time personnel manager.

Unions feed on worker dissatisfaction, especially with the way in which he or she is supervised. An emotional outburst usually has a long history of buildup: accumulated wrongs and intensified feelings finally overwhelm the most patient employees. One effective way to eliminate grievances and, with it, to neutralize the appeal of unionism is a careful response to the earliest signs of doubt, disappointment or frustration. TC Philippines' This Company of Ours recognizes the need to take action at the earliest possible stage: "In any company, it is not unlikely that some employees may feel aggrieved as a result of what may have or not have been done by their co-employees or supervisors" (p. 25). Then it advises: "Whether your grievance or complaint is imagined or real, it is best to get it off your chest" (p. 26). The parent company's Journal puts the same thing more

elegantly: "Talking to someone has a therapeutic effect in itself" (1961: p. 24).

At TC Indonesia, an Indonesian manifestation of this concept was narrated to us. The general manager, whose elevated status in Indonesia was already mentioned earlier, is mandated by some mysterious authority to be the guardian and benefactor to the weaker members of society. Suppose an ordinary worker happens to suspect that he is not fairly treated by his superior. Instead of talking to the superior in question, he goes directly to the ruler-father of the enterprise, the general manager. The meeting of the subject-child with his ruler-father takes place in the most respectful manner that the culture requires. The audience granted is largely symbolic and the conversation is vague without specifying issues or remedies. The worker talks, and the general manager listens. The meeting lasts for some time in this fashion. At its end, however, the worker feels so good that the earlier grievances are now completely dissolved. The subtlety of "grievance therapy" within the context of Indonesia's traditional culture may elude the outsider's grasp. But it is thoroughly analogous to the aforementioned American concept of talking to someone having a therapeutic effect.

Conclusion

This Company's principles and practices of human resource management are eminently exportable to any country or any culture, provided a philosophically compatible and culturally creative indigenous general manager is found. One important aspect of This Company's ways

of doing business is that like other "excellent" companies, it is careful in selecting, evaluating, and developing its managers. Its ideas and methods of manager recruitment obviously work inter-culturally. If there are suitable managers somewhere, This Company can find them. Then the question is whether these managers actually exist in countries where This Company plans to do business. The managerial qualifications for This Company are rather severe. Since the supply of managers with these qualifications is likely to be limited, the worldwide expansion of This Company is slowed to that extent. But this is the tradeoff that This Company has inflicted on itself.

Perhaps This Company is an extraordinary example. Its characteristics are not those of all MNEs. This Company is worth emulating, if MNEs desire to make constructive contributions to worldwide economic and social development. As large organizations that are capable of mobilizing masses of people and resources, MNEs compete with nation-states. MNEs are global in extent, while nation-states are territorially specific. Each MNE is a kind of mini-United Nations, as illustrated by This Company's Global Conference which draws delegates from more than 40 countries. Many MNEs are larger than This Company. MNEs, having attained this level of development, cannot remain only as pure business organizations with "profit maximization" as their sole objective. Each MNE probably has to replicate the comprehensive role of a nation-state and justify its profit-making activities by serving the broader human and social goals. This Company shows how this is possible.

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